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LED UKRAINE
LOCAL ECONOMIC DEVELOPMENT

QUARTERLY PROGRESS REPORT

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ACRONYMS, ABBREVIATIONS, DEFINITIONS, AND CONVERSIONS

Acronyms and Abbreviations

AIDAR – (US)AID Acquisition Regulation
AUC – Association of Ukrainian Cities
BAS – Business Attitude Survey
B.A.T. – British American Tobacco
CTO – Cognizant Technical Officer
CURE – Center for Ukraine Reform Education
EBA – European Business Association
EC – Expert Committee
FDI – Foreign Direct Investment
FAR – Federal Acquisition Regulation
GIS – Geographic Information System
GoU – Government of Ukraine
ha – hectare(s)
IF – Innovation Fund
IFC – International Finance Corporation
InvestUkraine – Ukrainian Agency for Foreign Investment Promotion
IPZUS – Ukrainian Legal Aid Institute for Rural Citizens
IMC – Implementation Management Committee
LACs – Legal Aid Centers
LED – Local Economic Development
LGSO – Local Government Support Organization
M&E – Monitoring and Evaluation
MOED – Municipal Office of Economic Development
NGO – Non-governmental Organization
OSCE – Organization for Security and Co-operation in Europe
SMEs – Small and Medium Enterprises
SWOT – Strengths, Weaknesses, Opportunities, Threats
TACIS – Technical Assistance for the Commonwealth of Independent States (Program)
UAH – the currency code for the Ukraine Hryvnia
ULTI – Ukraine Land Titling Initiative
UNESCO – United Nations Education, Scientific and Cultural Organization
USD – the currency code for the U.S. Dollar

Definitions

City Rada – City Council
Oblast – Administrative territorial division of Ukraine; 24 total
Raion – Small territorial unit of Ukraine; 490 total
ISO 9000 – a set of standards for quality management systems maintained by the International Organization for Standardization (ISO) and administered by certification bodies

Currency Conversion Reference Guide

€1 = 6.80 UAH (National Bank of Ukraine, June 29, 2007)
\$1 = 5.05 UAH (National Bank of Ukraine, June 29, 2007)
\$1 = €0.74 (Federal Reserve Bank of New York and the IMF, June 29, 2007)
€1 = \$1.35 (European Central Bank, June 29, 2007)

QUARTERLY PROGRESS REPORT

A. Project Purpose and Approach

Purpose. Economic successes take place daily at the local level and the goal of the Local Economic Development (LED) Project is to help Ukrainian cities strategize and organize their economic potential to attract investment, promote business development, and produce more jobs in a democratic manner and on an on-going basis.

Approach. Local economic development is a lasting process of strategic partnership between business, local government, and non-governmental actors who help make their cities economically robust today, tomorrow and in years to come. Through a transparent, focused, and organized process the LED project works hand-in-hand with these stakeholders in developing and implementing realistic strategic plans for local economic development. This involves:

- intensive planning work to analyze cities' strengths, weaknesses, and economic assets to set long-term objectives and create strategic economic development plans approved by city councils;
- institutional strengthening for city administrative units charged with implementing the tasks articulated in their strategic plans;
- financial assistance through an innovation fund to facilitate the cities' implementation of at least one high priority task under their strategic plans;
- legal advice on aspects of strategic plan implementation and general support for improvements to the legal and regulatory environment for LED;
- creation of a cadre of Ukrainian consultants who can continue to support implementation activities in LED cities and help other cities with strategic planning;
- and extensive training in promoting investment (primarily foreign).

Expected Results. When LED is finished, cities with which it worked and cities that studied its work through the project's communication campaigns and toolkits will:

- know their competitive business assets;
- be developing those assets in a concerted, intelligent, and continuous effort;
- be ready to offer those assets to investors, both foreign and domestic; and
- be thinking about constantly adding value to the business climate of their cities to ensure greater and greater economic dynamism and more jobs through ever-increasing investment.

The Project currently works directly with 36 target cities and touches tens of others through FDI training, online educational materials, and economic development strategic planning services provided by LED's local consultants. A map of Ukraine with LED's main partner cities is located in Annex A. By the end of the Project, LED will have directly assisted at least 40 target cities.

B. Significant Events and Achievements

- Yuzhne Economic Development Strategic Plan unanimously adopted by the City Council.
- Two (2) “target” cities from the southern and eastern regions of Ukraine added to the Fourth Wave of strategic planning.
- Strategic planning activities launched in 5 target cities.
- In cooperation with the EU, innovative Territorial Development Strategy preparation launched.
- In cooperation with the AUC, conducted the first seminar for MOED, LED, and FDI professionals from LED partner cities, which showed that active implementation of strategic plans in Wave 1, 2, and 3 cities is underway.
- Computer equipment and applications provided to Kaniv Municipal Office of Economic Development through the LED Innovation Fund.
- Third cycle of FDI training launched for 27 participants.
- In cooperation with the OSCE, FDI training in Rivne region organized and delivered.
- In cooperation with CURE, LED training for 41 journalists provided.
- Five (5) issues of the LED Monitor e-newsletter distributed.
- Twelve (12) news stories on issues of local economic development published.

C. Task Activities

Contractually, LED’s activities are divided into seven distinct yet interdependent activity areas or tasks: 1) Participating City Selection; 2) Building Ukrainian Capacity; 3) Strategic Plan Development; 4) Implementation of LED Strategic Plans; 5) Legal and Regulatory Framework; 6) Regional Economic Development Support; and 7) Information Dissemination.

Task 1: Participating City Selection Process - Develop a strategy for selection of participating cities in a competitive and transparent manner and obtain strategy approval from USAID. Select no less than 40 target cities for project participation. Select the final 13 cities from the southern and eastern regions of Ukraine. Develop “graduation” criteria so that cities may be graduated from the program and new cities admitted.

Due to a national political crisis that erupted between pro-Western and pro-Russian parties at the beginning of April, three cities from the Russian-leaning East selected by LED for the Fourth Wave of Strategic Planning have chosen not to participate in the USAID LED Project at a time of political uncertainty. These cities included Severodonetsk in Luhansk Oblast, Makeevka in Donetsk Oblast and Dniprodzerzhinsk in Dnipropetrovsk Oblast. The latter two cities were selected in April and dropped out in May and did therefore not figure into the previous report ending March 31, 2007.

On June 20, 2007, LED received USAID approval to replace the above cities with the city of Artemovsk in Donetsk Oblast, the city of Lozova in Kharkiv Oblast, and the city of Yasinovata, Donetsk Oblast. Artemovsk and Lozova received the status of “target” cities where strategic planning work will be carried out by LED’s in-house specialists and Yasinovata has been categorized as a “non-target” city where the strategic planning process will be carried out by a Project-trained consultant.

The three cities were selected due to their geographic location in eastern Ukraine and because of their enthusiasm in working with LED on strategic planning. All three cities are oblast significant members of the Association of Ukrainian Cities and have demonstrated both forward thinking and political will to work openly and conscientiously on economic development strategic planning. Additionally, the cities' current industries and work force skills provide promise for future growth if combined with strategic thinking. A short economic portrait of each city follows.

1. Artemovsk

Population: 108,800 inhabitants

Mayor: Aleksei Reva (mayor since 1994)

Location: 89 km northwest of Donetsk; railroad from Caucasus to Moscow; highways from Donetsk to Kyiv and from Kharkiv to Rostov, Russia

Economy: Industrial city with more than 30 industrial concerns of varying specialties. The city is rich in mineral deposits, including rocksalt, alabaster and fireproof clay. The key industries are ferrous/non-ferrous metallurgy, food industry, machine building and metal processing, construction, apparel, and medical industry. Ferrous metallurgy (fire-proof installations for furnaces, steel casting, etc) accounts for 22% of the total manufacturing output. Non-ferrous metallurgy is represented by a unique non-ferrous metal processing factory producing non-ferrous rolls, brass rolls, nickel bronze and non-ferrous cakes. The share of other non-metal manufacturing industries is significantly lower than the metal manufacturers, although some of the producers have a strong reputation on the domestic market, for example, the Artemovsk Factory of Sparkling Wines is well known all over the country.

The city is covered by the law on special economic zones, which creates favorable conditions for investors. Currently 7 investment projects are being implemented in the city for the total amount of \$71 million. Among the companies that managed to attract investments are Knauf Gips Donbass, the Artemovsk Non-Ferrous Factory, the meat factory, and the metal ware factory. In 2007, the city expects to create 182 jobs and raise the average annual salary by 13%, which translates into UAH 1,289.40.

2. Lozova

Population: 71,100 inhabitants

Mayor: Sergei Litvinov

Location: 150 km south of Kharkiv

Economy: Lozova is a multi-industry city, whose largest plants work in the machine building sector, represented by a number of mechanical/machine building factories engaged in the production of agricultural machines, components for rail cars, spare parts for tractors, cars and agricultural machines. A local electrical machine factory manufactures electrical engines and equipment for the gas transportation systems.

3. Yasinovata

Population: 36,900 inhabitants

Mayor: Evgeniy Ishenko-Giller (elected in 2006)

Location: On the Donetsk-Kharkiv highway. It is a major railway hub.

Economy: Railroad plays a pivotal role in the local economy along with such industries as the basic engineering industry (a machine-building factory built in 1946-53 produces cranes, mining combines, and grinding mills), production of construction materials and food industry (a mill and a bakery built in 1927). Around 40% of the city residents are employed by the railroad company, and 10 % by other manufacturing companies.

Task 2: Building Ukrainian Capacity – Provide appropriate assistance to: 1) develop ongoing capacity within the local government to utilize state-of-the-art management techniques and technologies collectively known as the LED Toolkit; and 2) develop a qualified and trained cadre of Local Government Support Organizations with at least 30 individual LGSO trainers to become the primary providers of technical assistance.

Sub-task A: Municipal LED Toolkit

The LED Project is collaborating with the Extension Service of Michigan State University (MSUE), the Global Urban Studies Program of Michigan State University and the Kiev Economic Institute, Economic Education and Research Consortium, to review and adapt existing U.S.-based local economic development tools for inclusion into Volume II of the LED Toolkit. This quarter, MSUE submitted the first four tools for Project review and consideration. LED anticipates that about 10 additional tools will be ready by August, 2007. Both volumes of the LED Toolkit are posted on the LED website. Volume II currently contains nine completed high-quality tools.

Sub-task B: Building Capacity of Local Government Service Organizations (LGSOs)

During the period under review, LED's LGSO consultants began facilitating strategic planning activities alongside the Project's LED Advisors in the seven target cities currently selected for the Fourth Wave of strategic planning. They also assumed independent leadership of LED strategic planning sessions in 12 smaller "non-target" cities where LED's in-house advisors could not be dispatched. The ability of the LGSOs to autonomously facilitate the entire strategic planning process underscores their readiness as LED professionals and allows them to further build their reputation in the field, increasing their opportunities to obtain additional job orders from other cities in the future. LGSO strategic planning activities in both target and non-target cities this quarter focused on preparation of Community Profiles, Business Attitudes Surveys, and SWOT analyses. Based on these analyses, the LGSO consultants helped their client cities identify critical issues and begin developing detailed projects to address them. A list of all consultants active in strategic planning and their client cities is included below.

City Category	#	City/Oblast	LGSO Consultant
Target	1	Sumy, Sumy Oblast	Halyna Vasylichenko
	2	Konotop, Sumy Oblast	Halyna Vasylichenko
	3	Pervomaysk, Mykoliav Oblast	Ihor Hirchak
	4	Nova Kakhovka, Kherson Oblast	Volodymyr Proskurnin
	5	Izum, Kharkiv Oblast	Volodymyr Pismak
	6	Artemovsk, Donetsk Oblast	Sergiy Tkachenko
	7	Lozova, Kharkiv Oblast	Natalia Boyko

City Category	#	City/Oblast	LGSO Consultant
Non-Target	1	Kremenets, Ternopil Oblast	Ihor Hirchak
	2	Kolomyia, Ivano-Frankivsk Oblast	Halyna Vasylenko
	3	Koryukivka, Chernihiv Oblast	Valeriy Kokot
	4	Kakhovka, Kherson Oblast	Vasyl Kashevskyi
	5	Mogyliv-Podilskiy, Vinnytsia Oblast	Oleh Levchenko
	6	Vyshneve, Kyiv Oblast	Viktorya Pogorelova, Iryna Kovra
	7	Obukhiv, Kyiv Oblast	Viktorya Pogorelova, Iryna Kovra
	8	Tsyurupinsk, Kherson Oblast	Volodymyr Proskurnin
	9	Irpin, Kyiv Oblast	Viktorya Pogorelova, Iryna Kovra
	10	Lysychansk, Luhansk Oblast	Volodymyr Pismak
	11	Rubizhne, Luhansk Oblast	Natalia Boyko
	12	Yasinovata, Donetsk Oblast	Sergiy Tkachenko

Task 3: Strategic Plan Development – Facilitate the development of LED strategic plans in at least 35 cities and disseminate lessons learned to other cities. A successful approach to development of Strategic Plans includes: 1) The Mayor and the City Council establish a permanent LED Steering Committee of elected officials and a representative cross-section of community and business leaders to supervise strategic plan preparation and implementation. Based on a Vision Statement that describes the desired quality of life for citizens, sub-committees develop the plan's components. 2) The city establishes a Municipal Office of Economic Development, which becomes the implementer of municipal commitments for LED. 3) Strategic Plans are adopted as municipal ordinances by City Councils.

Strategic Planning in Wave 3 Cities.

On April 26th City Council members in Yuzhne unanimously adopted the city's Economic Development Strategic Plan. A vote on the LED Strategic Plan in Melitopol has been postponed until July for reasons not related to the Plan. All other Wave 3 partner cities already completed and adopted their strategic plans during the previous two quarters. Final versions of all Wave 3 strategic plans are available on the LED website.

Strategic Planning in Wave 4 Cities.

During the quarter, LED launched cooperation with the Fourth Wave of cities committed to strategic planning for economic development. These new partners include seven "target" cities where strategic plans will be developed with the help of LED's in-house professionals and twelve so-called "non-target" cities where strategic plans will be developed by LED-trained consultants (LGSOs). A summary of strategic planning progress made in each of these cities is included below.

Pervomaysk. Pervomaysk was the first Wave 4 city to launch strategic planning activities and its Expert Committee of business executives, NGO leaders, local government representatives, and professors from higher education institutions has already completed the first draft of the

city's economic development Strategic Plan. The Plan addresses two critical issues: 1) investment attraction and 2) SME development and will be finalized by the Expert Committee at its last meeting on July 12th.

Konotop and Sumy. April 11th marked the first meeting of the Expert Committee for strategic planning in Konotop and the signing of the Letter of Intent between the city and the LED Project. On April 12th, the same activities took place in the city of Sumy. By the end of the quarter, both cities had completed their Community Profiles and Business Attitudes Surveys, adopted their strategic visions, defined critical issues, conducted SWOT analyses, and developed specific projects and activities for future economic development. The final version of each city's Strategic Plan will be ready in August.

Nova Kakhovka. Nova Kakhovka launched its strategic planning activities on April 26th with a 28-member Expert Committee. This date also marked the signing of the Letter of Intent between the city and the LED Project. A second working meeting was held before the end of the quarter. The following tasks were accomplished during the two meetings and in the inter-meeting period: Community Profile compiled, Business Attitudes Survey completed and analysed, strategic vision approved, critical issues defined and a SWOT analysis underlining critical issues completed.

Izum (sometimes spelled Izyum). In Izum, the LED Project has combined forces with the European Commission to elaborate a Territorial Development Strategy that combines economic strategic planning on the Project side with infrastructure development planning on the EU side. The cooperation was launched with a tri-partite Letter of Intent signing at the end of the previous quarter and three meetings of the 32-member Expert Committee have been held since. As in other cities, results of these meetings included completed Community Profiles, Business Attitudes Surveys and related analyses, a SWOT analysis, as well as an approved strategic vision and identified critical issues. The final version of the Territorial Development Strategy will be ready next quarter.

Artemovsk and Lozova. As reported under Task 1, LED obtained USAID approval to partner with the cities of Artemovsk and Lozova on June 20, 2007. June 26th marked the first meeting of the Expert Committee in Artemovsk along with the formal Letter of Intent signing ceremony between the city and the Project. Strategic planning activities in Lozova will begin early next quarter.

In the Fourth Wave, the Project also began providing technical assistance to a group of “non-target” cities, which did not fully meet LED's city selection criteria for target city status but still stand to benefit greatly from implementing the Project's methodology for local economic development. The Letters of Intent with most of the non-target cities were signed on April 17, 2007, at an informational round table organized by the Project for mayors from the following non-target cities: Kremenets, Kolomyia, Mohyliv-Podilsky, Vyshneve, Obukhiv, Koryukivka, Tsyuryupinsk and Kakhovka. The Letter of Intent with the city of Irpin was signed at a separate ceremony on April 2nd. Letters of Intent for Lysychansk and Rubizhne were executed on April 5th and 6th respectively and the signing ceremony for the city of Yasinovata, which joined the Project at the end of June, is scheduled to take place early next quarter.

As mentioned in Task 2, strategic planning activities in non-target cities are being led by LED-trained LGSO consultants who are introducing members of local public-private Expert

Committees to LED's signature approach. With the exception of Yasinovata, most non-target cities had already finished compiling Community Profiles and Business Attitude Surveys by the end of the quarter. Translated versions of these documents are available on the LED website.

Task 4: Implementation of LED Strategic Plans – Review Strategic Plans for actions to be taken by local government, business interests, and other groups and provide technical assistance and/or co-funding for implementation of critical action components. Use the Innovation Fund for action implementation funding only when the requesting city provides no less than 60% matching of the funds.

During the quarter, the LED Project in cooperation with the Communities Economic Development Section of the Association of Ukrainian Cities held its first meeting of LED and FDI professionals from municipal offices of economic development and local government support organizations of partner cities. This Seminar on Efficient Use of City Resources for Economic Development was held in Kyiv on May 23 – 25, 2007. The purpose of the seminar was to begin developing a sense of an LED professional community among participants and to solidify a network for sharing information among members of this community to promote sustainability of concentrated LED activity in Ukraine. During the seminar, representatives from 15 Municipal Offices of Economic Development, created during the LED strategic planning process in partner cities, reported on the progress of implementing their Strategic Plans for Economic Development. A draft report on the event along with summaries of achieved Strategic Plan tasks from each of the following cities can be found in Annex D: Chernihiv, Dzhankoy, Pavlohrad, Kovel, Brovary, Nizhyn, Yuzhne, Chortkiv, Ivano-Frankivsk, Pryluky, Kamyanets-Podilsky, Kupyansk, Kaniv, Vinnytsia, and Yepatoria. These achievement summaries cover the whole period since the adoption of the plans to the date of the seminar while implementation progress results from the current reporting period are presented below.

Implementation Progress in Wave 1 Cities.

Pryluky. During the quarter, Pryluky completed a feasibility study for the creation of a business support center and is quickly moving forward with the project's realization with support from British American Tobacco, an active contributor to the process of Strategic Plan drafting and implementation, the U.S. Peace Corps, and local entrepreneurs. The business support center is due to open next quarter. The city has also launched the Pryluky Education Partnership (PEP) with representatives from local businesses and education institutions to coordinate efforts by enterprises and higher education institutions in the training and placement of skilled workers. One notable task completed this quarter is the inventory of non-residential property in communal ownership, which has identified 10 new land plots for investment. Technical characteristics of these plots have already been posted on the city's official website.

Ivano-Frankivsk. During the quarter, Ivano-Frankivsk continued active implementation of the human resource development projects detailed in its Strategic Plan. According to the order of the City Mayor dated May 21, 2007, the City Center for Human Resources was created and its statute approved. The first joint meeting of representatives from the new Center, the Council of Employers, directors of educational institutions and the mass media took place on June 6th. During the meeting the list of needed professions for the near-term was compiled,

90% of which consisted of blue collar occupations. To attract high school graduates to professions in high demand by local businesses, video commercials about various technical and vocational institutions were aired on televisions in public areas.

The City Council is also actively promoting Ivano-Frankivsk to new investors and employers. This quarter, the catalogue “Business in Ivano-Frankivsk” was published jointly with the Western Ukrainian Agency of Foreign Investment and contains information about industrial enterprises, banking institutions, hotels, and tourism agencies. A reference titled “Business in Ivano-Frankivshchina” was published with similar information on the Ivano-Frankivsk region. Work on the inventory of lands in the Khryplin Industrial Zone continues. So far, 80% of the zone has been inventoried and a schematic map of the territory prepared. The city has submitted an application to the LED Innovation Fund to obtain financial support for the creation of a permanent system to market investment opportunities both in and outside of the Khryplin Industrial Zone. More than 300,000 UAH have already been allocated for the program from the municipal budget. A special Advisory Council of local industries leaders has been created to present the marketing plan to the business community. Understanding good customer service is itself a reliable marketing strategy, the Ivano-Frankivsk City Council allocated an additional plot of land to LLC “Ukrainian Pobutova Tekhnika” to construct new production facilities and provided permit documentation to Tyco Electronics, a large U.S. investor that anticipates to build a plant in the city by the end of the year. During the first half of 2007, the Ivano-Frankivsk Licensing Center serviced 2,508 permitting requests and provided 3,762 consultations.

Activities in the tourism sector continue according to the Tourism Development Program. During the quarter, the city’s tourism, cultural and economic potential was presented in the Polish towns of Chszaniw, Swidnica, Zeszow, and Lublin, in the Romanian towns of Baja Mare and Brashov, in the Latvian town of Elagva, and in Lithuanian towns of Vilnius and Takaj. Local tourism firms constantly participate in tourism exhibitions, fairs, and forums in Ukraine and abroad. Cooperation on exchange of children’s tourist groups has been established with many cities. During the second quarter, groups from Poland and Lithuania visited Ivano-Frankivsk. The city is working to create defined recreation zones within city borders by the Bystrytsa River and near the village of Posich for weekend recreation activities. A new ice arena opened in May. Concurrently, a New Tourist Information Center servicing Ivano-Frankivsk region opened in the town of Nadvirna. The center distributes recently-prepared city promotion materials including the tourism guidebook *Ivano-Frankivsk – City in the Heart of Europe* and the brochure *My Ivano-Frankivsk*.

Kaniv. This quarter, the city of Kaniv reported that “a long-time goal of the City Department for Education, the Executive Committee, and the Strategic Planning Implementation Committee has been achieved: the Creation of the Children and Youth Tourism Center as an Innovation Model of Entrepreneurial Activities in the Public Education Sector project has been implemented.” Meals and lodging for children’s tourism groups is now offered on a permanent basis by the Children and Youth Tourism Center, which has 9 comfortable rooms with 40 beds. The city has also partnered with SYuTour to provide subject-oriented pedestrian and bus excursions on three local historic routes. SYuTour trainers also organize sports activities, games and contests, and 1-2-3-day pedestrian and water excursions to historical sites and natural reserves in the Kaniv region. So far, 2 children’s groups, one from Germany and one from Ukraine, have been serviced through this comprehensive public-private tourism package. With assistance from the City Executive Committee Voyage Co., another travel agency, has purchased the premises of the former Consumers’ Union in the

city center to build a hotel and tourism center for adult tourists. Kaniv's other achievements in tourism development this quarter include the creation of a crafts shop for manufacturing of city souvenirs at a local vocational school, which now offers crafts training and employment opportunities for members of the student body. The Kaniv Historical Museum has replenished its collection of local historical items from the XIX to the beginning of the XX century and has opened a new exhibition of the Kaniv lore scholar A. Verkhohlyad depicting the Image of Mothers in Postcards. Additionally, the following new activities and performances were offered to Kaniv visitors this quarter: performance "The Strength of the Kaniv Land", literary and music performance "A War no to Be Forgotten", exhibition of S.Ustymenko embroidery, painting exhibition "the Golden Horse Shoe of the Cherkasy Land", literary seminar "Ukrainian Madonna", seminar "Steps to the Chernecha Hora", and a requiem meeting near the burial place of Taras Shevchenko.

To further improve local conditions for tourists and residents, the City Executive Committee has signed an agreement with AgroEkoProduct Closed Joint-Stock Company, Myronivskiy Break Products, and the Kaniv Hydro Power Station to co-finance capital road repairs in the city center. The parties have contributed a total of 1 million UAH for this purpose in 2007. The City Council has also passed an innovative resolution to distribute "clean city" awards and prize funds to companies and organizations that contribute to city beautification by properly maintaining their premises. Additionally, the Council has begun implementing its plans for installation of energy-saving technologies by placing 400,000 UAH-worth of hot and cold water metering equipment in multi-storied residential buildings throughout the city.

Finally, last quarter LED reported that the Kaniv Property Fund sold its full package of holding stock in "EMZ" Magnit thereby completing a major task in the area of high-tech business development under the city's Strategic Plan. This quarter, the enterprise's new owners registered it as the "Magnit-Saturn" Ltd. Company, and are undertaking major upgrading works to manufacture sophisticated home appliances under the "Saturn" trade mark.

Pavlohrad. The Pavlohrad Investment Attraction and International Activity Unit is continuing to implement its Investment Attraction Program and the City Marketing Plan. In June 2007, the unit published a Booklet for Employers and a Business Guide for local entrepreneurs on launching businesses and obtaining permits and licenses. The Business Guide is being adapted for inclusion on the City Hall business investment information boards, which will provide illustrated information on starting and operating businesses in Pavlohrad, business opportunities, status of business-related projects, and local business success stories. Design of the information boards is currently underway. To further encourage the development of an effective business information system, the city solicited grant proposals from local NGOs to create an information business development center. The winning proposal has been submitted to the City Council for approval. Another ongoing activity in support of local businesses is the Mayor's Business Roundtable with local business leaders to discuss and address ongoing concerns. Two such meetings took place during the quarter. Within the framework of the City Marketing Plan, the Investment Attraction Unit has executed a contract to place advertising about Pavlohrad investment opportunities in the Trade and Industrial Chamber of Ukraine Magazine and in other print media sources in the second half of 2007. The Unit plans to develop an industrial zone for investors in accordance with the Strategic Plan and is currently negotiating with the Pavlohrad Vuhillya Coal Company to transfer its land plots and brownfields to city ownership to be incorporated into the industrial park. In addition, the unit is continuing to inventory communal property

suitable for investment and has reported that 12 land plots have been privatized since October 2006.

Pavlohrad has also made notable progress in implementing its motivational program to encourage establishment of apartment owner associations to take over responsibility for utility service improvements and optimize administration of collective communal property. Nine new condominium associations have been created this quarter to bring the total number to 27. The newly-created associations will soon receive further support from the city in the form of grants to allow them to maintain streets and areas adjacent to residential buildings. Other notable action steps in implementing the city's Strategic Plan this quarter include the launch of reconstruction of the Pavlohrad Central Park and the creation of a Task Force to prepare a concept and action plan for utility services reform.

Chortkiv. To improve the quality of life for local residents, the city of Chortkiv is continuing to implement a program of capital improvements as outlined in its Strategic Plan. The city has purchased the Bila-Kamiana Water Intake with high quality water and is now providing round-the-clock water supply services to the Kadub Residential District, which is home to one third of the city's residents. It has also prepared design documents for the integrated modernization of the water supply and sewage system as well as for the construction of a new landfill. Street lighting has been replaced in both the city center and the Kadub Residential District, two major roads and streets in the city center have been repaired, and two transportation routes have been improved to provide easy access to public transportation to more city residents. Chortkiv's main recreation park has also undergone some improvements including the addition of new attractions and a paintball facility. The park's upgrade will help the city build its reputation as a tourism destination, another goal under the Strategic Plan. The City Council has recently developed a 150-page Historical and Tourism Almanac as part of the city's marketing and tourism promotion system.

On the investment front, the city has reported that construction of a centrally-located shopping and service center is underway and two industrial zones in the eastern and western parts of the city are under development. The city has also struck a partnership with a local development company to upgrade and legalize the previously-unsanctioned Naberezhnyi Market. The developer will install new stands, benches, and flower beds at the market and officially open it for the public at the end of 2007.

Kalush. The city of Kalush did not report any significant progress in Strategic Plan implementation this quarter.

Implementation Progress in Wave 2 Cities.

Drohobych. The Drohobych City Council has adopted a Program of Foreign Economic and Promotional Activity outlining tourism development initiatives for 2007. In accordance with the Program, the city has developed two investment proposals for city tourism titled "The City Tower Project" and the "Guide Project". A program for a new festival named "Boykivska Drogobychyna" has been created and adopted. Another event titled "Historical Fairytale – Feel Your City" was organized for local residents to learn about Drohobych history. Monthly meetings of students and young regional ethnographers are underway.

Drohobych is also in the process of implementing a number of initiatives on business development and investment promotion. It has simplified 20 business permit procedures as the first step toward creating a “single permitting window” at the Unified Permitting Office. Information on local legislative acts that regulate entrepreneur activity and on local government tenders and competitions are posted on the City Council website. In a recent tender, the city selected PE Rozora S.P. to set up a business incubator to support innovative startup companies. The City Council website also contains information on the local business climate and a listing of investment opportunities for investors. A list of land plots suitable for economic activity has been generated as part of a larger initiative to conduct a full land and building inventory. This effort is about 40% complete with a total of 1,735 ha inventoried. The land and building inventory will support the creation of the city’s physical Master Plan. A total of 100,000 UAH has been allocated from the city budget for this task in 2007.

Kovel. The city of Kovel has checked off a number of tasks from its Strategic Plan implementation list. Most notably, it has created both a register of municipal property and a database of land plots available for investment and is currently updating the value of municipal land. It has also adopted a comprehensive program for housing development. Yet another accomplishment is the creation of a local area network (LAN) to facilitate information sharing among City Council executive bodies and thereby provide better and faster service to local residents. One major project still in the works is the creation of an Information and Service Center (ISC) for businesses on the basis of the “one window” principle. So far a task force has been set up to develop the ISC concept and has done so. The concept has been approved by the City Council and will soon be implemented. A summary of other Strategic Plan tasks achieved to date in Kovel can be found in Annex D in the report on the results of the Seminar on Efficient Use of City Resources.

Nizhyn. The city of Nizhyn was not able to submit a progress report this quarter but a summary of Strategic Plan tasks realized to date can be found in Annex D as part of the report on the results of the Seminar on Efficient Use of City Resources.

Brovary. During the quarter, the Brovary City Council allocated significant funding for implementation of two tasks under the city’s Strategic Plan for Economic Development. The initiative to create a business support center received 50,000 UAH from the city budget, of which 3,600 UAH has already been spent on identifying appropriate consulting and support services for SMEs. To launch the program to construct and reconstruct the city’s recreation areas, the Council allocated 36,000 UAH for the construction of new playgrounds and sports fields for children, 7,200 UAH for the design and construction of a public garden in the city center, and 142,000 UAH for the design and reconstruction of Pryozemyi and Shevchenko parks.

Yevpatoria. The city of Yevpatoria was not able to submit a progress report for the previous quarter. Therefore, this quarter’s report covers all achievements from January through June 2007 and constitutes a lengthy description of Strategic Plan implementation activities. Yevpatoria’s Strategic Plan for Economic Development addresses three critical issues: 1) Health Resort, Spa, and Tourism Development 2) Compliance with Modern Requirements for Standards and Quality of Public Utilities Services and 3) Improvement of Conditions for Development of Major Economic Sectors and Private Businesses Making the City Attractive for Investors.

To support implementation of Resort and Tourism Development tasks, Yevpatoria has created a Spa and Tourism Association to join efforts of local government bodies, spa and resort complexes, and travel and transportation companies. The association has already held three meetings to discuss tourism development priorities. Meanwhile, the city Department of Investment Policy and Foreign Trade has developed a concept to promote the city as a place with extensive curative and historic potential in 2007. Spa, resort and tourism organizations have joined the resulting marketing effort to benefit from advertising. This marketing campaign includes direct mailing to companies and organizations in different countries that have expressed interest in providing treatment tours to their employees, internet and media advertising about what the city can offer in terms of spa treatments and tourism activities, and even tours of spa facilities for journalists. A public awareness campaign in the media is carried out to promote the idea of local hospitality and creating a positive city image. The marketing and public awareness campaigns were informed by a workshop on Tourism and Marketing Development conducted for the city by the LED Project on April 18-19 to introduce basic principles of effective marketing, specifics of territorial marketing, tourism infrastructure needs, and specific tools the city can use in its tourism marketing and promotion.

Yevpatoria is also working on a program to develop health reports for children and a comprehensive initiative to build a year-round health and spa industry. Eight conferences of local health specialists were held to design off-season treatments. As a result, 40 new mud and water treatments were introduced and works to warm up healing mineral waters for the fall and winter seasons are underway. To diversify tourism options for visitors, Yevpatoria has organized a Task Force for Development of Historic and Cultural Tourism. The Task Force has designed a tour route through the historical part of the city called “The Small Jerusalem”. Within the framework of inauguration of the route, a presentation package with a compact disk, a map of the route, a brochure, and a new book titled “From Yevpatoria with Love” were published. A record of the number of people that have previously walked the Small Jerusalem Route was included in the Guinness Book of World Records. The City Council, in turn, has developed a schedule of renovations of the main historical and architectural monuments including the main synagogue, the Khan Dzhami Mosque, and the St. Nicholas Armenian Apostolic Church. It has also supported the opening of a new Ethnographical Museum at the Tekie Dervish Crimean Tatar Cultural Center. A descriptive map of city historic sites has been published. Meanwhile, employees of the Yevpatoria Museum of Natural History compiled and published the Museum Herald – a 300-page collection of articles describing the history of Yevpatoria. This compendium will help to further develop historical tourism in the city.

To support sustainable tourism, the Yevpatoria Environmental Fund has allocated 81,200 UAH for monitoring and clean-up of the Yevpatoria black sea coast, an educational environment awareness campaign for school children, beach restoration works, city greenery, and solid waste management. Considerable effort has also gone into drafting Open Water Areas Safety Rules, an unreported achievement from 2006. The rules were passed by the City Council in December of last year after a set of public hearings and regulate the design, infrastructure, maintenance, and preservation of local beaches. The city has also designed a plan for environmental awareness advertising and activities to install environmental awareness billboards are currently underway. Since the start of 2007, the local government, businesses and organizations have planted 7,425 new trees, 8,000 bushes and 1.4 hectares of grass. Local NGOs and communal services companies are also conducting a public awareness campaign on solid waste management. In April 2007, during the meeting to

discuss preparation for the upcoming summer season, members of the City Council informed business entities about new regulations regarding the necessity of signing contracts for trash collection. As of June 2007, 601 contracts have been executed.

Yevpatoria is also demonstrating leadership and responsibility in the area of public services and utilities. It has recently established a working group of representatives from the Department of Architecture, business entities and citizens to develop and implement a program titled “City Without Barriers” to ensure access to public facilities and transportation for disabled people. As a result, city sidewalks are being reconstructed in combination with street repairs, access ramps are being built for beaches and incorporated into new construction projects, and funding is being collected to equip public transportation with wheel chair lifts. In addition, five comprehensive housing and utility programs will soon take effect. The City Gas Supply Program and the Electricity Supply Program are currently being developed while the Water Supply Development Program, the Plan for Capital Repairs of Housing Stock, and the Housing Stock Accident Prevention and Old Housing Reconstruction Program have already been approved by relevant government agencies. Projects to construct exterior lighting lines in four residential districts have also been developed. Lighting lines in one district have already been installed. Finally, the second quarter saw the completion of a major task under the LED Strategic Plan – the creation of a Unified Billing Center. The Unified Billing Center is now operational, complete with facilities, agreements for utility bill collection with communal enterprises, and a long-term development strategy.

In addition to significant progress in Strategic Plan tasks in public services and tourism development, Yevpatoria is also implementing a multitude of activities to support business and human resources development as well as investment attraction. On the investment front, the City Department for Investment Policy and Foreign Trade, has prepared information sheets on vacant land plots suitable for investment. In compliance with the City Master Plan, each land plot has technical documentation detailing its specifications, boundaries, locations, proximity to the sea, land evaluation, and existing infrastructure. Information on all greenfield and brownfield investment projects is placed on the city’s official website and published in relevant print media. The Investment Policy Department is also preparing an “investment passport” of the city to present key information to investors in a concise format. Other ongoing Department activities include surveying local companies to identify their investment attraction needs and surveying investors about the needs for specific improvements in the investment climate. So far, these surveys have resulted in the creation of rules on investment activities and an inventory of adopted local ordinances that will be converted into a unified business legislation database. To support local small businesses the Department has begun conducting monthly training seminars with participation of representatives from banking institutions on loans available for businesses. Seminar materials include a list of banking institutions that offer micro, small, and medium size credit along with applicable rules, conditions, and interest rates. Small businesses involved in implementing socially significant programs are also eligible to receive financial assistance from the city’s Business Support Fund, created last year and funded in 2007 for 100,000 UAH. Furthermore, the City Executive Committee is working to better match employment needs of businesses with the qualifications of the local workforce. A Steering Committee for City Workforce Development consisting of representatives from Executive Committee departments, the city Employment Agency, the Association of Employers, trade unions and the media has been approved. The Committee is supporting the implementation of the city Employment Program for 2007, including publication of available vacancies in the media, airing of live employment information programs with Employment Agency representatives,

management training classes, and professional development and retraining courses at local educational institutions.

Dzhankoy. The city of Dzhankoy was not able to submit a progress report this quarter but a summary of Strategic Plan tasks realized to date can be found in Annex D as part of the report on the results of the Seminar on Efficient Use of City Resources.

Kupyansk. The city of Kupyansk is continuing to implement one of its priority projects under the Strategic Plan – amending the city master plan to include areas for business development and creating a GIS map on the basis of the new plan. After completing extensive work to establish city limits during the previous two quarters, Kupyansk has conducted a full inventory of land and communal property within the newly-confirmed city limits. As a result, 20% of local land plots have been privatized and a detailed layout plan for a 10 hectare land plot available for investment is being prepared. Additional work to collect basic GIS mapping information is currently underway. So far, the city has gathered, scanned, and edited relevant original documents and is now working on geo-fixing the data and preparing a bitmap. Additional support for the GIS mapping project is expected from the LED Innovation Fund.

Based on a recent audit of the quality of local housing and utility services envisioned by the Strategic Plan, the City Council has passed an ordinance to reorganize the housing and utilities sector. The Blahoustriy Communal Enterprise and its subsidiary companies Shlyakhovyk, Hospodarka and Mahistral have been liquidated and new, more efficient, companies such as Demron, Ozeron, and Abron are now providing city utility services. The Department for Housing and Utilities has also been reorganized. The new structure conforms to the national law “On Local Self-Governance in Ukraine”. Kupyansk is also reorganizing its solid waste management system. The process of land allocation for a new landfill is almost complete and a public awareness campaign on garbage collection has led all local businesses to sign contracts for trash collection and removal services. Within the context of its utility infrastructure goals, the Kupyansk City Council has also signed a Letter of Intent with the Eurasia Foundation to initiate a joint program to increase energy efficiency by introducing energy-saving technologies. Within the framework of this agreement, the city conducted a tender to select a contractor to audit the heating system of the city hospital. The results of the audit will be used to finalize the design of the joint project of the Kupyansk City Council and the Nordic Environment Finance Corporation to reconstruct the hospital’s heating system. Additionally, two working meetings with the Director of the Gascogne Representative Office in Ukraine were held to build a wood processing factory in the city.

To support SME development, Kupyansk is working on improving its system of administrative services to local businesses. So far, the city has conducted an inventory of administrative services offered to SMEs and their standards and requirements. It has also sponsored two staff members to be trained as independent auditors by Bureau Veritas Ukraine. An audit schedule of administrative services is being finalized.

Rovenky. The city of Rovenky is working to establish an information and resource center for business support and development. A detailed plan for the project has been prepared and a search of a suitable location for the center is underway. In the meantime, business support services are rendered by the One-Stop Permit and Registration Office, which has provided 173 legal consultations to business entities along with 88 building and land allocation permits. To further support businesses and investors, the local government developed a Directory of Business Services and a City Investment Portrait and organized a trade fair of

locally manufactured products for City Day. The electronic registry of land plots, premises, and manufacturing facilities has been updated according to a quarterly schedule and a resolution on forming a Working Group for Investment Attraction has been passed by the Mayor. The city is also preparing to conduct an audit on the efficiency and quality of administrative services provided by structural departments of the City Council to local businesses and is designing and gathering data for an official city website, a major task under its Strategic Plan.

Kamyanets-Podilsky. During the quarter, Kamyanets-Podilsky realized a number of integrated improvements in the tourism infrastructure and services sector. These improvements include the opening of an equestrian tourism facility at the Pilgrim Green Tourism Center and of two new star-rated hotel facilities in the city center. Construction of a four-track bowling facility has begun on the territory of the Gal-Hotel and building of a movie theatre and skating rink complex will soon begin on a land plot allocated earlier this quarter. The Gal-Hotel will also begin hosting training sessions for hotel administrators, cooks and waitresses in September 2007. The city is moving forward with creating a local lore museum about the “History of Podillya” on the territory of the Old Fortress and a park area in the center of old town. A full concept for the museum project has already been developed. Due to the efforts of the Arts Lyceum, a crafts exhibition has been opened at the Armenian House. The project to install signs and pointers in the city center is also nearing completion with the meticulous design phase now finished. To provide better services to visitors, a new tourism office was opened in old town and a new website for the city’s Information and Tourism Center launched. The Kamyanets-Podilsky Tourism Directory and the 2007 schedule of festivals and events were also published during the quarter. Finally, this quarter Kamyanets-Podilsky celebrated the naming of the city reserve as one of the Seven Wonders of Ukraine. The city even passed an ordinance to limit traffic in the central part of the old town to better preserve its current state.

In addition to progress in tourism development, Kamyanets-Podilsky has also reported notable achievements in the area of investment attraction. The city’s newly-created Investment Department and Investment Attraction Advisory Board have designed an integrated Program for the Creation and Development of the Kamyanets-Podilsky Investment and Industrial Park. A suitable land plot has already been allocated for the industrial zone. Greenfield and brownfield investment opportunities in other areas of the city are also compiled on a regular basis with each investment proposal presented in a special easy-reference format for investors. These investment proposals are regularly published on the city website and in print publications.

Implementation Progress in Wave 3 Cities.

Chernivtsi. The city of Chernivtsi continues to implement its ambitious tourism development agenda at an impressive pace. On April 3rd, a new City Tourism Information Center opened its doors and is building cooperative relationships with local tourism industry businesses and organizations to provide comprehensive support and information to visitors. A portal titled “Chernivtsi – 600 years old” has been posted at www.chernivtsy.eu and will soon contain an expansive photo gallery of Chernivtsi sights. The site <http://www.city-tour.cv.ua> is under reconstruction to become a comprehensive tourism portal with necessary information posted in a number of common languages and a function to make online hotel reservations. The portal already contains a database of lodging, catering, entertainment, and tourism options. In addition, two other databases have been created and will be linked to the tourism portal. The

first is a database of tourists' bases, private houses for rent, and recreational resort centers in Chernivetska, Ivano-Frankivska, and Khmelnytska regions. The second is a database of historical, architectural, and cultural memorials in Chernivtsi. Additionally, a concept for the new tourist economic bulletin has been developed. The bulletin's first issue will be published in September of this year.

To implement its tourism development objectives, the Chernivtsi City Council is communicating and partnering with as many stakeholders as possible. For example, the Council established cooperation with the "Tourism Bukhova" Association, which includes 10 tourism agencies, hotels, a transportation enterprise, a publishing house, a chamber of trade and industry, and two higher education institutions. In April 2007, the Council held a round table titled "Bukovyna image as the contributory factor for Ukrainian and international tourism" in cooperation with regional libraries. In May 2007, the round table on "Cooperation of governmental bodies and public organizations on the development of trans-border tourism in Bukovyna" took place with input from the Regional Center of Re-training and Qualification Improvement for Employees of State and Local Governmental Bodies, and with participation of public organizations and the Chamber of Trade and Industry of Suchava (Romania). Information on the status of development of the city tourism industry is provided to the local media on a regular basis.

A number of tourism infrastructure projects are underway. The airstrip of the Chernivtsi International Airport is undergoing reconstruction and modernization while the City Council is negotiating additional daily flights from Kyiv. A program of renovation, improvement and development has also launched at Zhovtnevy park where pools have been purified and evening lights and public bathrooms erected. Development of entertainment infrastructure is scheduled to begin late in the year. The City Council is also implementing an innovative project to revive private houses and interior yards of particular interest to tourists. Early results of the project include the opening of the renaissance Coffee House and the courtyard museum "Old Chernivtsi" will soon open in houses № 7-8 on the Central square. Museum exhibits will depict everyday life of Bukovina inhabitants. Visitors will be able to taste national and local "hutsul" dishes and buy local crafts and souvenirs. Additionally, a mini-hotel and a club-café are expected to open next door in 2008. An inventory of tour routes and their maintenance is carried out jointly by the Chernivtsi Bureau of Travels and Tours, the Tourism Department of the Regional State Administration and the "Tourist Bukovyna" Association. A Sunday walking tour the old town Chernivtsi for local residents and guests has been introduced.

Chernihiv. One of the few cities to develop a Strategic Plan fully focused on competitiveness, Chernihiv has submitted a report on two quarters of progress in implementing its Competitiveness Action Plan. The City Council has identified the former Chernihiv Airport as the future site of the Chernihiv Industrial Park and has taken the following steps to initiate the conversion process: prepared a detailed description of the site with appropriate technical documents, initiated the land valuation process, prepared a list of current owners and tenants to discuss with them the possibility of vacating land plots on the territory of the airport, and identified priority areas for the phased development of the site. The city is also preparing a catalogue of local investment objects, which will include recently-collected information on 6 new greenfield sites. A brownfield database based on information from local companies is under development along with an Investor's Guide describing local investment procedures and listing the contact details of appropriate authorities. New procedures necessary for obtaining land for industrial production have been prepared for the Investor's Guide. Support

to investors will now be available in the form of legible information on the City Council website, which has been translated into English. A brochure titled “Chernihiv – A City of Opportunities” provides investors with general information on the local investment climate.

According to the Program of Investment Attraction and Development of Tourism Potential of Chernihiv for 2007-2008, the City Council has begun preparing an action plan for tourism development infrastructure and secured \$100,000 from the State budget for a project titled “Development of the Infrastructure Component of Tourism in Chernihiv”. In addition, a Tourism Association of Chernihiv Region was created to prepare tourism development issues for submission to the City Council for consideration and approval. One recent interesting idea for a tourism product is the annual traditional combat festival, which has been approved to launch in Chernihiv in September, 2007.

Vinnytsia. The city of Vinnytsia was not able to submit a progress report this quarter but a summary of Strategic Plan tasks realized to date can be found in Annex D as part of the report on the results of the Seminar on Efficient Use of City Resources

Mykolaiv. During the reporting period, the city of Mykolaiv focused mainly on infrastructure development priorities from its recently-adopted Strategic Plan. The city has initiated implementation of the Housing and Utilities Sector Reform Program by creating an Association for Promotion and Support of Condominiums with 13 condominiums as initial members. It has also allocated UAH 2 million in 2007 to analyze the possibility of privatizing communal utility companies and creating new business entities through integration of communal property and private capital. Additional funding for Housing and Utilities Reform will be provided by the UNDP Municipal Program for Sustainable Development, which will allot more than UAH 1 million toward reorganization of Neighborhood Housing Maintenance Units (ZhEKs) and housing facilities improvement with obligatory participation of homeowners associations. Furthermore, Mykolaiv is close to finalizing arrangements for the implementation of a €27 million investment project to upgrade the Mykolaiv Vodokanal, a municipal water/wastewater enterprise, with credit financing from the European Investment Bank based on a guarantee from the State and a grant of more than €3 million from the European Commission. Although this project predates the strategic planning process, it is fully in line with Strategic Plan goals to create a modern and efficient public utilities system and to raise funds for communal infrastructure development. Finally, the City Council is partnering with local residents and businesses to address critical issues of social and economic development. It has recently signed memoranda on public-private partnership to solve common problems with the Mykolaiv Soil and Clay Factory of RusAl Corporation and with the Mykolaiv representative office of SUN Interbrew. It has also announced a competition titled “Public Initiatives for a Flourishing and Prosperous Mykolaiv” for city beautification and repairs projects. Winners will receive up to 10,000 UAH to supplement the funds they put forth toward these initiatives.

Yuzhne. Having just approved the city’s Strategic Plan for Economic Development on April 26th, the Yuzhne City Council has already hit its first big score in the area of investment attraction by allocating a 12 ha land plot for the construction of a factory producing leather for export, which is anticipated to bring 1,500 – 2,000 new jobs and about \$120 million in investment. At its next meeting on July 19th, the Council is anticipated to approve the composition of the Advisory Committee on Investment Attraction formed earlier this quarter.

Luhansk, Rivne, and Lutsk. Third Wave cities of Luhansk, Rivne, and Lutsk were not able to submit Strategic Plan implementation progress reports in time for the quarterly report. A detailed description of implementation progress in these cities will be provided next quarter.

Berdiansk, Kremenchuk, Melitopol. Implementation results in these cities have yet to be reported.

Innovation Fund.

1. Kaniv Resource Management and Investment Attraction (Agreement LED-06-001).

During the quarter, the LED Project purchased electronic equipment and computer software applications for the Municipal Office of Economic Development (MOED) of the Kaniv City Council Executive Committee. The equipment and applications were procured on April 11th and May 11th respectively and were transferred and installed on April 24th and May 14th, 2007. On each transfer date, LED and the Mayor of Kaniv Valyl Kolomiyets signed a Transfer Agreement and an Act of Receipt and Acceptance of equipment. To enable installation and proper maintenance of LED-procured equipment, the city supplied new electric and telephone wiring, wall outlets, and extensions in the MOED office. The LED Online Monitor article titled *USAID Project Supplies Hardware for Kaniv Economic Development* provides a detailed account of the purchase and transfer of the equipment and of the cooperation between the LED Project and the Kaniv City Council in implementing Kaniv's Strategic Plan for Economic Development. The article is published on the LED website and included in Annex C. The list of procured software and equipment is provided below.

#	Cost Item	Details of the item	Serial #	Unit cost, UAH	# of units	Total cost of property UAH	Total cost of property USD*
1.	Laptop computer	Impression 650	95751	5839,00	1	5839,00	\$1,163.15
2.	Monitor LCD	17" Samsung 740BF	HA17HMDLB03185	1480,00	1	1480,00	\$294.82
3.	Monitor LCD professional	19" Samsung 940bf	HA19HS8P300973	1110,00	1	1110,00	\$221.12
4.	Desktop computer	Intel Core 2 Duo E6300 (1.86GHz) /2*512 DDR2 (667MHz)/250Gb/7600GS 256MB / DVD+-RW /FDD /ATX 360W/ modem/ MB / keyboard KB-1616 / wired optical mouse YX-M336	108/04 61109786 (keyboard)	3684,00	1	3684,00	\$733.86
5.	Desktop computer	P3.2 / 1GB DDR667 (2*512MB Dual) / HDD250 Gb SATA/ GeForce 7300GS 128Mb/ DVD+-RW/ FDD /ATX 360W/ modem/ MB / keyboard KB-1616 / wired optical mouse YX-M336	109/04 61109781 (keyboard)	2896,00	1	2896,00	\$576.89
6.	UPS	APC Back-UPS CS 500VA Russian	Snb0639021520 Snb0639020604	336,00	2	672,00	\$133.86
7.	Digital Photo camera	Canon PowerShot A630	213036211557	1610,00	1	1610,00	\$320.72

#	Cost Item	Details of the item	Serial #	Unit cost, UAH	# of units	Total cost of property UAH	Total cost of property USD*
8.	Multimedia Projection Apparatus	LEATER LX402	L020219	8990,00	1	8990,00	\$1,790.84
9.	Scanner	HP ScanJet 2400	Scn6bnsr184	353,00	1	353,00	\$70.32
10.	LaserJet Printer	HP LaserJet 1022N	Svnc3p00118	1604,00	1	1604,00	\$319.52
11.	Color Printer	HP DeskJet D4163	Sth6c7d260r	410,00	1	410,00	\$81.67
12.	Copy Machine	Canon iR2016	KRB19799	5583,00	1	5583,00	\$1,112.15
12.1.	Top Lid for Copy Machine	n/a	n/a	n/a	1	n/a	n/a
12.2.	Toner for Copy Machine	C-EXV14	n/a	n/a	1	n/a	n/a
13.	Telephone	Panasonic KX-TG1107UA	%7acqa100186 %7acqa100176	226,00	2	452,00	\$90.04
14.	Software – MS Office 2003 Standard Box	Office 2003 Win32 Ukrainian CD BOX		1,583.26	3	4749.78	\$944.29
TOTAL		--	--	--	20	UAH 39432,78	USD 7,853.25

The LED Project will soon address the USAID-Kyiv Contracting Office to ask for approval for disposition of property to transfer title for the inventory to the Office of Economic Development of the Kaniv City Council Executive Committee. Currently, both the LED Project and the recipient acknowledge in writing that the title to the property remains with USAID.

2. Kupyansk Geo-Information System.

The city's application for Innovation Fund monies (UAH 82,000, or USD 16,238) was officially submitted to USAID-Kyiv for review on January 26, 2007 and is currently pending approval.

3. Drohobych Industrial Zone Project.

In February 2007, the Innovation Fund Committee asked the Mayor of Drohobych to introduce a number of modifications to the draft budget of the city's Innovation Fund project titled "Creation of an Industrial Zone". The modified budget is yet to be received.

4. Yevpatoria Investment Promotion project.

On April 23, 2007, Yevpatoria Mayor Andriy Danylenko submitted a Project Concept Summary on "Establishing an Investment Attraction Mechanism for the City's Economy and Ensuring the City's Competitiveness on the Investment Market" to the Innovation Fund Committee for consideration. A full-format grant application is currently being prepared by the city's experts and is expected to be submitted to the Innovation Fund soon. A rough estimate of LED's anticipated contribution for this initiative is about \$15,000. LED is also gathering documentation necessary to register the city as an official recipient of technical assistance with the Ministry of Economy of Ukraine.

5. Ivano-Frankivsk investment promotion project.

On May 16, 2007, Ivano-Frankivsk Mayor Viktor Anushkevychus submitted to the Innovation Fund a Project Concept Summary on “The Implementation of an Efficient Investment Opportunity Marketing System to Attract Investment” along with a set of supporting documents. The Innovation Fund Committee determined that the concept was sufficiently developed to be expanded into a full grant application and the city is currently preparing the full set of grant application documents. LED anticipates providing funding for about 40% of this project or around \$15,000.

6. Kovel Industrial Zone Project.

On April 20, 2007, Mayor Serhiy Kosharik, who previously headed Kovel’s LED Strategic Planning Committee, informed the Project that the city was ready to work with the Innovation Fund to implement its initiative on the “Organization of an Industrial Zone” based on the same objectives in the city Strategic Plan for Economic Development formulated with the assistance of the USAID-funded LED project and approved by the City Rada. A full-format grant application is expected soon. A rough estimate of the LED contribution is about \$15,000.

Task 5: Legal and Regulatory Framework – Draft and implement legislation to support LED and local self governance, and help cities improve local regulations to improve the business environment and enhance their attractiveness for investment. Provide administrative oversight for an existing national network of legal aid centers to enable the “All Ukrainian Union of Legal Assistance to Rural Population” to receive Federal awards. Implement a training program for FDI professionals with an emphasis on participants from the south and east of Ukraine. Construct a database of FDI opportunities designed at the local level.

Regulatory Reform for LED and local self governance.

LED’s regulatory work this quarter focused on providing legal assistance to LED partner cities in support of Strategic Plan implementation. In Pryluky, LED’s Legal Advisor Volodymyr Nosik participated in two seminars organized by the City Council to advise local partners on various legal aspects of utilizing land for investment. At the City Council seminar for Council deputies and specialists in city planning and development, land management, finance, budgeting, and economic development, Mr. Nosik presented on the problems and opportunities of selling industrial land titles at land auctions. At the roundtable of the Pryluky Council of Entrepreneurs, he addressed the issue of purchasing and renting land plots of non-agricultural designation to investors. In Vinnytsia, Mr. Nosik took part in a seminar on aspects of regional policy for investment attraction organized by the Chief Economic Department of the Vinnytsia Regional Administration and the Department of Economic Development of the City Council where he presented the main legal issues associated with realization of investment projects in Ukrainian cities. A similar presentation was given at the roundtable of mayors of LED’s “non-target” partner cities. At the request of the leadership of the Irpin City Council, the Legal Advisor conducted an analysis of the Law of Ukraine “On Holding an Experiment in the Sphere of Local Self-Governance in the city of Irpin” and the correlation of this law with the changes and amendments to the Constitution of Ukraine, the Law “On Self-Government in Ukraine”, and the Land Code of Ukraine, and prepared conclusions regarding the legal status of the Irpin City Council under current conditions as well as the functions and powers of this Council in the area of land relations, planning and build-up of the city’s territory, and the city’s economic development.

In anticipation of its roundtable on Regional Airport Development, set to take place in early July, LED reviewed more than 1,500 legal and regulatory acts regarding the activity and legal status of Ukrainian airports as well as attraction of investments into their development and prepared a set of the most relevant legal and regulatory acts for roundtable participants. LED also conducted a legal analysis of the May 12th Decree of the Cabinet of Ministers of Ukraine “On Approving the Order of Sale of State-Owned Land, on which there are Objects Designated for Privatization” and prepared relevant clarifications regarding application of this Decree in the implementation of Strategic Plans for Economic Development in LED partner cities. Additionally, LED reviewed the draft law of Ukraine “On Industrial Parks” and submitted its comments and proposals regarding changes to the legal regime for industrial parks’ land to the Committee on Issues of Agro-Policy and Land Relations of the Parliament of Ukraine.

In addition to interpreting Ukrainian legislation in support of implementation of LED Strategic Plans, LED’s Legal Advisor participated in two other expert panels during the course of the quarter. At the roundtable on the “Municipal Land Market: How to Protect the Rights of Local Communities” organized by ESGROUP and the Workers Association of Ukraine, he presented on the legal aspects of allocation of municipal land in Ukraine and realization of investment projects for the development of local communities. He also addressed legal issues of investment attraction in tourism development in Ukraine at a conference of academia and practitioners on “Formulating the Strategy for Tourism Development in Ukraine”.

Support to Legal Aid Centers.

During the quarter, LED continued to work with USAID to locate funding for the Ukrainian Legal Aid Institute for Rural Citizens (IPZUS) for the period after May 2007 and to provide administrative oversight to the NGO through a grant mechanism to prepare it to receive federal awards. In April and May, LED closely monitored and guided IPZUS’ organizational management practices with respect to personnel, finances, and operations. The most visible challenge identified for the NGO was its inability to fill the position of Deputy Director for Finance and Administration due to funding uncertainty, which strained Finance Department operations. In April, IPZUS’ manuals were further refined based on the experience of the first month of independent operations and submitted to USAID along with key founding documents. Two meetings were held with USAID representatives to assess the organization’s readiness to meet USAID’s audit requirements. These meetings yielded constructive suggestions regarding property management standards and practices in regional legal aid offices. USAID also expressed concern regarding IPZUS’ seeming inability to obtain tax exempt status due mostly to an unstable political situation within the National Government but this concern was addressed by assurances that international technical assistance funds are non-taxable if properly registered as such by each side with the Ministry of Economy.

In May, USAID gave preliminary notice that IPZUS could and would be funded but that the funding would not be available until August when the Mission finalizes its strategy for technical assistance for land-related issues in Ukraine and receives fiscal year 2007 funding from Washington. However, since no funding was available to provide a bridge for IPZUS to sustain its activities in June, July and August, the NGO had to significantly downsize its operations after May 31st based on an assessment of how much funding remained at LED for LAC-related activities. As of June 1, only a skeletal staff of 5 central office employees and three lawyers in the Crimea LAC remained. By the end of June, only three central office

employees including the Director, the Chief Accountant, and the Deputy Director in charge of the Legal Aid Program continued working. The Crimea LAC remained in operation due to its strategic importance and to allow IPZUS to maintain its basic organizational and managerial structure and demonstrate maximum compliance with established policies and procedures during potential future audits. Property previously used by lawyers in regional Legal Aid Centers was either gathered and brought to Kyiv or stored in special local facilities where it will remain until the end of August. Also on June 1, LED and IPZUS signed a no-cost grant extension to allow the organization to continue its activities, although in a very limited form, and make use of some savings accumulated during the March – May period in the context of funding uncertainty. A tentative estimate of IPZUS grant costs from March (1st grant month) through July (likely last grant month) is as follows:

1. Declared Costs / March-June 2007:

1.1. Wire Transfers	UAH	1,078,292.16
1.2. Cash	UAH	15,588.64
1.3. Rejected Costs	UAH	(2,809.73)
SUBTOTAL	UAH	1,091,071.07

2. Declared Costs / End of June 2007:

2.1. Wire Transfers	UAH	72,482.11
2.2. Cash		TBD
2.3. Rejected Costs		TBD
SUBTOTAL	UAH	72,482.11

3. Budgeted Costs / July 2007

SUBTOTAL	UAH	49,239.97
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4. Direct Vendor payments / March 1 - June 22, 2007 (36 payments)

SUBTOTAL	UAH	90,087.81
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TOTAL:	UAH	1,302.88
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At the end of June, no additional information regarding the certainty or the timing of future funding was available.

Foreign Direct Investment (FDI) Initiatives.

This quarter saw the launch of the third cycle of the training program for FDI professionals. The goal of the program is to develop human resources in the field of investment opportunities preparation and marketing to help Ukraine and its cities better compete in attraction of foreign direct investment. The training program will educate participants in economic development, special organization of multinational enterprise activity, foreign direct investment, strategic decision making, marketing and industrial park development. The first workshop titled “Stage setting – Facts and myths about FDI” was held on June 6th and introduced 27 participants from mostly southern and eastern regions of the country to key economic development and investment attraction concepts and presented an in-depth analysis of Ukraine’s position and prospects in FDI competition. The full set of training materials for the course is available on the LED website.

In addition to training a new group of FDI professionals, LED continued providing FDI assistance to partner cities in realizing investment attraction goals and strategies from their Strategic Plans. Within the framework of Strategic Plan implementation assistance to the city of Rivne, LED, in cooperation with the Rivne Regional Investment Promotion Agency and

OSCE, has been conducting a series of three 2-day FDI trainings for officials of the Rivne City Council, representatives of local authorities, and heads of raions of Rivne region. The first training took place during the previous quarter while the second and third training were held on April 12 - 13 and May 15 – 17th respectively. At the end of the training series, participants from various districts presented real sites for industrial development and received professional certificates attesting their readiness to promote these sites to outside investors in the presence of the Governor of Rivne Region.

To support the development of market-ready property for investment in Dzhankoy and Vinnytsia, LED launched the preparation of a Conceptual Design and a Pre-feasibility study for industrial zone development in each city. The due diligence phase took place in June and included site-visits to the two cities to collect technical and spatial data and interview city representatives. The design phase will take place next quarter and will include development of technical dimensions, sketches, and advanced CAD drawings. In addition to the conceptual design work, the FDI team in cooperation with short-term marketing consultant Nora Maderkova conducted a workshop on marketing tools for tourism development within the framework of Strategic Plan implementation assistance to the city of Yevpatoria. Workshop topics covered the key principles of effective marketing, territorial marketing strategies, investment in tourism infrastructure and products, and specific tools used in tourism marketing and promotion.

To compliment its investment training and assistance to partner cities and help promote local investment projects reach the global investor audience, LED continued working with InvestUkraine, the national investment promotion agency to develop its a strategy of proactive investment attraction for 2007 – 2010. This quarter, the strategy was finalized and approved by the head of InvestUkraine. LED also teamed up with InvestUkraine for visits to the cities of Vinnytsia (June 12) and Korosten (June 27) to conduct presentations on business property development and LED Project's Investment Property Database.

Task 6: Regional Economic Development Support – Appraise USAID of all regional activities taking place in the Eastern and Southern regions of Ukraine and involving the Project's target cities, with the understanding that the Project may become involved in such planning should further funding materialize.

LED is partnering with the EU Project on Sustainable Local Development in Ukraine to create a Territorial Development Strategy in the city of Izum. While LED will focus mainly on issues of municipal economic development, the EU Project will be designing a plan for infrastructure development in the city and the surrounding territories. There are no other activities of regional significance involving Project target cities to apprise USAID of this quarter.

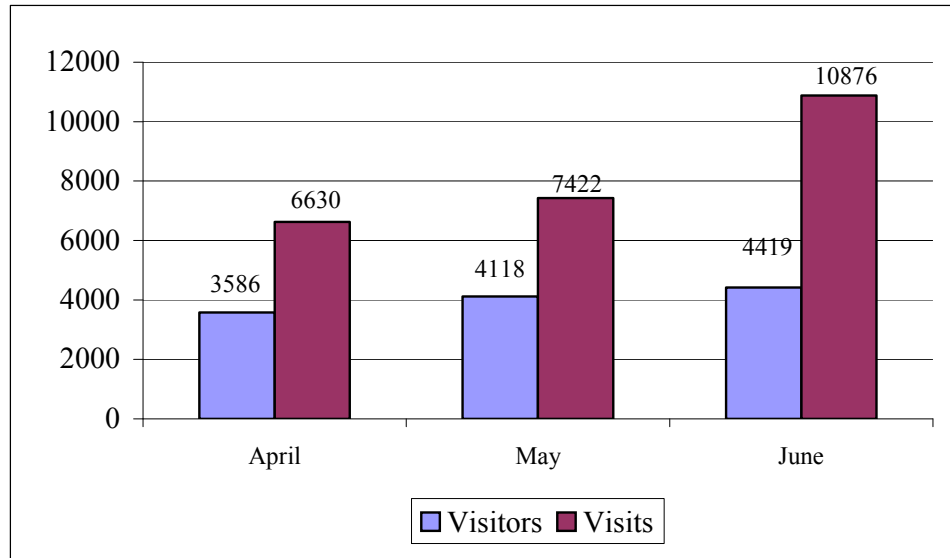
Task 7: Information Dissemination – Design a strategy for outreach and communication, the purpose of which will be to help target cities better implement LED strategies and to enable non-target cities to have enough information to launch their own strategies on their own initiative. The strategy must be approved by USAID.

Journalist Training. During the reporting period, the Project held four special training events for regional journalists on local economic development in close cooperation with the Center

for Ukrainian Reform Education (CURE), which works with media professionals all over Ukraine to conduct information campaigns on economic, political, and social reforms. The training events were combined with the launch of strategic planning in select LED partner cities and took place in Pervomaysk on May 17th, in Nova-Kakhovka on June 5th and in Sumy on June 7th. An additional session for Kyiv region journalists was held on May 23rd within the context of LED's seminar on Efficient Use of City Resources for Economic Development. In total, 41 journalists received training on "Local Economic Development: what is it and is it worth writing about?" during two presentation sessions. The first presentation outlined general principles of local economic development and its strategic planning while the second presentation focused on media-related issues of local economic development and included several case studies. After the second presentation, journalists also learned how to use geographic information systems for reporting using examples from the Ukrainian city of Lutsk and the German city of Chemnitz. Based on participant evaluations, the event proved to be interesting and professionally useful to the attending journalists, earning an average rating of 3.9 on a 5 point scale with the highest evaluation marks going to the presenters.

Website Maintenance and Development. Over the period under review, 12 news stories on local economic development and jobs-generating investments in Ukraine were published in the News section of the LED website www.led.net.ua. Eleven (11) of these stories can be found in Annex C of this report and the 12th is embedded in Annex D. From now on, all LED-original news published during the course of a quarter will be attached to the quarterly reports, if their size permits. The chart below shows the numbers of site visitors and visits during the three months of the quarter.

LED project web site visitors and visits in the first quarter 2007



LED Monitor e-Newsletter. During the reporting period, LED produced and distributed 5 issues of the LED Monitor e-newsletter. At the end of the quarter, the distribution list for the period included 268 addresses compared to 248 addresses at the end of the previous quarter. The monitor is produced only in Ukrainian for the local audience and is therefore not included in this report. However, many of the news stories included in the LED Monitor are taken from the LED website and are included in translated form in Annex C.

Media Relations. During the reporting period, at least 40 articles on LED were published in the printed press and in on-line news sources. The sources and translated titles of these articles can be found in the Intermediate Results Report (Annex B) under IR 4.1.2 “Increased Transparency of Local Government Operations” with numbers 22 – 37.

D. Project Progress

During the previous quarter, Chemonics International and USAID executed Modification # 7 to the LED contract, which amended a number of contract performance requirements, reduced the value of the contract to \$12,864,274 and revised the contract end date to December 2008. Based on the Modification, at the end of March, LED submitted a new work plan through December 2007. Since the work plan is still pending USAID approval, the project progress table below provides a hybrid status of results per the newly-amended contract and the dated Year 2 work plan. It is helpful in showing which contract performance requirements were amended and in providing closing results for the Year 2 Work Plan. Next quarter's project progress table will only include the status of activities per the impact indicators defined in the amended LED contract and the 2007 Work Plan. A quarterly monitoring and evaluation report based on the Project's intermediate results framework is attached as Annex B.

[illegible]

Task 2A: Building Ukrainian Capacity – Development of Municipal LED Toolkit			
	Contract Performance Requirements	Year 3 Work Plan Activities and Indicators	Cumulative Status
1	Toolkit submitted and approved by USAID; Toolkit regularly updated according to Work Plan	>>>>>>>>>>>>>>>>>>>>>>>>>>>>	Volume I done; Volume II in process; 9 tools published
		1a. Terms for a general call for, and then	1a. Done

F. Performance Challenges

To date no funding has been made available at USAID for future operations of the Ukrainian Legal Aid Institute for Rural Citizens (IPZUS). As a result, all but one legal aid center have closed and only a 3-person skeletal staff remains in the central office. It is unclear whether LED will be able to fully resurrect the organization once funding becomes available and what impact the three month period of relative inactivity will have on the organization's ability to quickly pass an audit for federal awards.

G. Status of Budget Expenditures

Contract Budget (per Modification 7):	\$12,864,274.00
Obligated Funds:	\$9,260,162.00
Expenditures thru June 2007:	\$8,823,760.21
Balance of Obligated Funds:	\$436,401.79

H. Activities Planned for Next Quarter

Task 1: Participating City Selection Process. At the beginning of next quarter, LED will seek approval from USAID to add Poltava to the list of Wave Four target cities, bringing the total number of participating cities to 8, as committed to in the Year 3 Work Plan. LED will also work with USAID and AUC to select cities in the eastern and southern regions of Ukraine for Wave Five strategic planning. LED anticipates this will be the last wave of cities chosen to partner with the Project so it will apply rigorous selection criteria and vetting processes to ensure selection of municipalities with high potential for economic gains resulting from Project assistance.

Task 2: Building Ukrainian Capacity.

Sub-task A: Municipal LED Toolkit

The Project will continue populating Volume II of the LED Toolkit with best practice solutions for challenges in local economic development. It will cooperate with the Extension Service of Michigan State University and the Kyiv Economic Institute to jointly adapt US - based LED solutions to the Ukrainian context. Ten (10) to 15 tools will be completed next quarter. LED will post all created tools on the project website as soon as they are finalized and translated.

Sub-task B: Building LGSO Capacity

LED's LGSO consultants will continue supporting strategic planning activities in 7 Wave Four target cities in cooperation with the Project's LED Advisors. They will also independently facilitate strategic planning in 12 non-target cities, municipalities that applied to LED for assistance but were not chosen as priority sites, ensuring the "spread" of strategic thought and action for economic development throughout the country. Certain members of the current group of trained LGSOs will also likely provide implementation assistance to cities that have already adopted strategic plans for economic development. New consultants specializing in urban architecture and engineering will be trained in preparing conceptual designs and pre-feasibility studies for industrial zone development.

Task 3: Strategic Plan Development. LED is scheduled to complete strategic planning activities in most Wave 4 target and non-target cities by the end of next quarter. Exceptions will include Artemovsk, Lazova, Poltava (if approved), Yasinovata, and select non-target cities that do not have the resources to work as quickly as LED's main partners. LED will work with the public-private Expert Committees in each city to develop impact-rich projects to address the critical issues identified based on the Business Attitude Survey, the Community Profile and the SWOT Analysis. Representatives from "touch" cities will attend key Expert Committee meetings in target cities and receive additional training on economic development strategic planning from the Project's LED Advisors. These representatives may then choose to launch strategic planning efforts in their respective municipalities.

Task 4: Implementation of LED Strategic Plans. LED will continue providing legal, FDI, and other consulting implementation support to its partner cities with emphasis on addressing issues common to a number of cities and implementing activities that create jobs and increase investment. Specifically, next quarter's technical assistance will be focused on regional airport development and conceptual design work for industrial site preparation. The LED Innovation Fund team will help cities prepare Innovation Fund requests and process applications for strategic plan project implementation according to LED Project procedures. City-specific Innovation Fund plans are as follows:

- *Kaniv* – Initiate transfer of title of the computer equipment and applications to the city's MOED, pursuant to agreement LED-06-001. Additionally, a new website as well as investment and tourism promotion materials are to be designed and published in October-November 2007. To this end, LED will grant a no-cost extension to the city.
- *Kupyansk* - Prepare and sign an agreement with the city on provision of technical assistance within the framework of the Innovation Fund, subject to USAID approval of the city's application for funding.
- *Drohobych, Yevpatoria, Ivano-Frankivsk, and Kovel* – Receive, review, and process the city's revised IF application and submit relevant documents to USAID for approval.

Task 5: Legal and Regulatory Reform. LED's Legal Advisor, will support LED partner cities in resolving land issues related to their strategic plans. He will lead seminars and roundtables on preparation of land for investment in at least 3 cities. He will also review regulations and provide recommendations for at least two strategic plan implementation projects in partner cities. Additionally, he will monitor Ukrainian legislation on issues of land use for cities' economic development and investment activity in Ukraine and prepare analytical conclusions and recommendations for Project cities. Lastly, he will present the results of the analysis of the regulatory base for local airport development at LED's Local Airport Development Seminar.

Support to Legal Aid Centers. LED will continue to work with IPZUS and USAID to secure funding for the LAC NGO after August 2007. The Project will also monitor and support IPZUS in its current activities under Standard Grant Agreement #LED-06-003. The LED Project continuously reviews IPZUS' compliance with USAID and all the other applicable requirements (including with Ukrainian legislation) of the grant. After the end of the grant

agreement (expected in August or September 2007), the LED Project will arrange grant closeout procedures.

Foreign Direct Investment. Next quarter, LED will conduct the second and third workshop of the Training for FDI Professionals and carry out a study tour to the Czech Republic for program participants. The second workshop titled “Working Smartly and Tactically – Planning for Success” will take place in early July and the third workshop on “Industrial Zones – Preparing and Customizing Your Product” will be held in September while the study tour, designed to demonstrate FDI attraction best practices in the CEE context, will occur in August. LED will also finalize and present the conceptual designs and pre-feasibility studies for industrial zones in Vinnytsia and Dzhankoy. The Project will continue collecting and verifying data for the web database of investment opportunities in Ukrainian cities and will actively promote it on its website. The FDI team will provide on-demand FDI assistance to partner cities and regions, especially to pursue investment prospects.

Task 6: Regional Economic Development Support. LED will continue working with the European Commission in the city of Izum to finalize a city and regional Territorial Development Strategy and will apprise USAID of any other regional activities taking place in the eastern and southern regions of Ukraine and involving the Project’s target cities.

Task 7: Information Dissemination. LED will continue updating its website on a daily basis with local economic development news from Ukrainian cities, Project events, activities and successes, LED and FDI training materials, partner city information, potential investment sites, LED tools, and other information useful to Project partners and investors. LED’s communications team will also publish the LED e-Monitor on a bi-weekly basis and support Project media events.

I. Other Issues Affecting Project Progress

Funding. Due to a temporary shortage of funding at the Mission, LED and USAID have agreed to postpone providing Innovation Funds to all partner cities except for Kaniv this past quarter. Additionally, from now on the LED Project will be operating at a reduced capacity level that is generally commensurate with the recent reduction in the LED budget and Scope of Work. The position of M&E specialist has been eliminated with associated responsibilities assigned to the Innovation Fund Manager, who will now help monitor strategic plan implementation progress in LED partner cities under the title of Projects Implementation Manager. The following positions have been converted to part-time status: FDI Manager, Program Coordinator and Operations Manager, Legal Advisor, Communications Manager, Communications Specialist, and IT Specialist.

Ternopil. To date, Ternopil is the only municipality among Wave 1 and 2 partner cities that has not approved its Strategic Plan due to a very tense standoff between two political parties in the City Council that is thwarting implementation of all major initiatives.